



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

CO-OPERATIVE SOCIETIES
(AMENDMENT)
ACT, No. 11 OF 1992

[Certified on 6th March, 1992]

Printed on the Orders of Government

Published as a Supplement to Part II of the Gazette of the Democratic
Socialist Republic of Sri Lanka of March 06, 1992

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

TO BE PURCHASED AT THE GOVERNMENT PUBLICATIONS BUREAU, COLOMBO

Price: Re. 1.50

Postage: Re. 1.55

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L.D.—O 78/90

AN ACT TO AMEND THE CO-OPERATIVE SOCIETIES LAW,
No. 5 OF 1972

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :—

BE it enacted by the Parliament of the Democratic Socialist (Amendment) Act, No. 11 of 1992.

Short title

2. The long title to the Co-operative Societies Law, No. 5 of 1972 (hereinafter referred to as the "principal enactment") is hereby amended by the substitution for the words "TO THE CONSTITUTION AND CONTROL OF CO-OPERATIVE SOCIETIES", OF THE WORDS "TO THE CONSTITUTION AND ADMINISTRATION OF CO-OPERATIVE SOCIETIES".

Amendment
of the
long title
of the Co-
operative
Societies
Law, No. 5
of 1972

3. Section 3 of the principal enactment is hereby repealed and the following section is substituted therefor :—

Replace-
ment of
section 3
of the prin-
cipal enact-
ment.

"Societies
which may
be registered.

3. Subject to the provisions hereinafter contained—

(a) a society which has as its object the provision, in accordance with co-operative principles, of specified services contributing to the economic, social, educational and cultural welfare of its members ;

(b) a society consisting of registered societies as its members established with the object of facilitating the operation of societies referred to in paragraph (a),

may be registered under this Law, with or without limited liability :

Provided that the liability of a society of which a member is a registered society, shall be limited."

Amendment
of section
7 of the
principal
enactment.

6. Section 7 of the principal enactment is hereby amended as follows:—

- (1) by the renumbering of that section as subsection (1) thereof; and
- (2) by the addition immediately after the renumbered subsection (1) of the following new subsection:—

“(2) The Registrar shall upon registering a society under section 6 issue to such society a certificate of registration.”.

Amendment
of section
8 of the
principal
enactment.

7. Section 8 of the principal enactment is hereby amended by the insertion immediately after subsection (2) of that section of the following new subsection:—

“(2A) No amendment of a by-law of a registered society shall be registered unless such amendment is accompanied by a report referred to in section 4(1) (c) (ii).”.

Amendment
of section
9 of the
principal
enactment.

8. Section 9 of the principal enactment is hereby amended as follows:—

- (1) in subsection (1) thereof, by the substitution for the words “members or delegates present and voting at a general meeting”, of the words “members or delegates eligible to be present and vote at a general meeting”.
- (2) in subsection (2) thereof, by the substitution for the words “members or delegates present and voting at a general meeting”, of the words “members or delegates eligible to be present and vote at a general meeting”.
- (3) in subsection (3) thereof—

(a) by the renumbering of that subsection as paragraph (a) thereof; and

(b) by the addition immediately after the renumbered paragraph (a) of the following new paragraph:—

“(b) No approval shall be given by the Registrar to any society to transfer its assets and liabilities to any other registered society, to divide itself into two or more societies or to amalgamate with another registered society if—

- (i) a report of recommendation has not been obtained from a person or institution as is prescribed, regarding the economic feasibility of the proposed transfer, division or amalgamation ;
- (ii) a report stating that the by-laws of the societies into which the registered society has been divided or amalgamated, as the case may be, are not inconsistent with the provisions of the law or any rule made thereunder has not been obtained from an institution or designated person as for the purposes of section 4."

9. Section 11 of the principal enactment is hereby amended as follows:—

Amendment of section 11 of the principal enactment.

- (1) by the insertion immediately after subsection (1) thereof of the following new subsection:—

(1A) Where the liability of members of a society is limited, no member other than a registered society shall hold such portion of the share capital of the society, subject to a maximum of one-fifth as may be prescribed by the rules."; and

- (2) by the substitution in subsection (2) for the words and figures "of any scheduled agricultural product under the Agricultural Products (Guaranteed Prices and Control of Hulling and Milling Act, No. 33 of 1961", of the words "of any scheduled agricultural product as an agent of the Paddy Marketing Board".

10. The following new sections are hereby inserted immediately after section 11 of the principal enactment and shall have effect as sections 11A, 11B, 11c and 11d of that enactment:—

Insertion of new sections 11A, 11B, 11c and 11d in the principal enactment.

"Mode of payment to purchase shares.

11A. A member may commence payment for the purchase of any share with an initial payment of rupees ten and shall increase payment of such instalment to rupees one hundred within one year from the date of such initial payment. The

**Co-operative Societies (Amendment)
Act, No. 11 of 1992**

minimum value may be increased as desired. The total value of a share may be paid in a single instalment :

Provided however that a member shall not enjoy the right to vote or the right to hold office until the expiry of one year from the date of enrolment :

Provided further, that the provisions of this section shall not apply to and in respect of persons who have applied to the Registrar for registration of a society under the provisions of sections 4(1) (a) and (b) and 5(1) and (2).

**Eligibility
to vote.**

11B. A member shall be entitled to vote at any meeting of a registered society and be elected to any office in such society only after obtaining full membership.

**Disqualifi-
cation.**

11c. No person who is a member of Parliament, Provincial Council, Municipal Council, Urban Council or Pradeshiya Sabha shall be eligible to be elected to or continue in office as a member of the committee of a registered Co-operative Society.

**Disqualifi-
cation for
election as
Chairman.**

11d. A person shall be disqualified from being elected as a Chairman of a registered Society, the membership of which consists of registered societies, if he is on the date of his election, the Chairman of any other registered society, the objects of which are not similar to the objects of the first-mentioned society, the membership of which consists of registered societies”.

**Amendment
of section
12 of the
principal
enactment.**

11. Section 12 of the principal enactment is hereby amended in subsection (1) thereof by the substitution for the words “admit an individual as an associate member.”, of the words “admit as any associate member any individual who enters into a contract for the transaction of business with the by-laws of the society.”.

Co-operative Societies (Amendment)
Act, No. 11 of 1992

7

12. The following new heading is hereby substituted for the heading "duties of registered societies" heading to appearing in Chapter III, of the principal enactment:—

Replacement
of the
Chapter III
of the
principal
enactment

"RIGHTS, OBLIGATION AND PRIVILEGES OF
REGISTERED SOCIETIES".

13. Section 22 of the principal enactment is hereby amended by the substitution for the words "National State Assembly" wherever those words occur in that section of the word "Parliament".

Amendment
of section
22 of the
principal
enactment

14. Section 24 of the principal enactment is hereby amended in sub-paragraph (iii) of paragraph (a) thereof, by the substitution for the words and figures "of any scheduled agricultural product under the Agricultural Products (Guaranteed Prices and Control of Hulling and Milling) Act, No. 33, of 1961;". of the words "of any scheduled agricultural product as an agent of the Paddy Marketing Board ;",

Amendment
of section
24 of the
principal
enactment

15. Section 39 of the principal enactment is hereby amended as follows:—

Amendment
of section
39 of the
principal
enactment

(1) by the repeal of the proviso to subsection (1) thereof and the substitution therefor, of the following new proviso:—

"Provided that, with the approval of the general body of registered society and on such conditions as may be imposed by it, a registered society may grant loans to another registered society or supply goods on credit to an associate member." ; and

(2) by the repeal of subsection (2) of that section and the substitution therefor, of the following new subsection:—

"Provided that, with the approval of the general body, a registered society shall not lend money on the security of any movable property other than agricultural produce."

16. Section 42 of the principal enactment is hereby amended by the omission of the words "approved for this purpose by the Registrar" wherever those words occur in that section.

Amendment
of section
42 of the
principal
enactment

Amendment
of section
43 of the
principal
enactment.

17. Section 43 of the principal enactment is hereby amended by the repeal of subsection (3) of that section

Replacement
of heading
in Chapter
VIII of the
principal
enactment.

18. The following new heading is hereby substituted for the heading "ACCOUNTS BUDGET, AUDIT, INQUIRY, INSPECTION OR INVESTIGATION" to Chapter VIII of the principal enactment :—

"ACCOUNT BUDGET, AUDIT, INQUIRY AND INSPECTION OF A
REGISTERED SOCIETY"

Amendment
of section
44 of the
principal
enactment.

19. Section 44 of the principal enactment is hereby amended by the repeal of subsection (2) thereof and the substitution therefor of the following :—

"(2) The audit under subsection (1) shall include—

- (a) an examination of overdue debts ;
- (b) a valuation and verification of assets and liabilities of registered societies ;
- (c) an examination as to whether the organization systems, procedures, books, records and other documents have been properly and adequately designed to ensure proper financial control and the presentation of information, to enable a continuous evaluation of the activities of the society, and whether such systems, procedures, books, records and other documents are in effective operation ;
- (d) an examination as to whether the conduct of the society has been in accordance with the provisions of this Law, or rules, regulations or by-laws made thereunder and whether administration of the affairs of the society has been in accordance with the provisions of such Law, rules, regulations or by-laws ;
- (e) an examination as to whether the utilization of the Fund has been efficiently and economically carried out ;
- (f) an examination as to whether a satisfactory procedure has been formulated so as to ensure the safety of money and property belonging to, and under the control of, the registered society ;

(g) an examination as to whether the accounts audited have been so designed as to present a true and accurate account of the affairs of the society in respect of the period under consideration having due regard to the principles of accountancy, financing and valuation ; and

(h) other prescribed matters.”.

20. Section 46 of the principal enactment is hereby repealed and the following section is substituted therefor :—

Replacement
of section
46 of the
principal
enactment.

“ Inquiry and
inspection.

46. (1) The Register may of his own motion and shall on the application of a majority of the committee or of not less than one-third of the members of a registered society hold an inquiry or inspection or direct some person authorised by him by orders in writing in that behalf to hold an inquiry into the constitution, working, and financial condition, or an inspection into the books of the registered society.

(2) For the purposes of an inquiry under subsection (1), the Registrar or any person authorised by him to hold an inquiry or inspection shall have the power,—

(a) to summon any past or present officer, agent, servant or member of the society or any other person who, in the opinion of the Registrar or the person authorised by him to inquire or inspect, can give material information about any transactions of the society or the management of its affairs.

(b) to require the production of any book or document relating to the affairs of the society, or any cash, security, or other property belonging to the society, by any past or present officer, agent, servant or member of

the society or other person in possession of or having the custody of such book, document, cash, security or other property.

(c) to summon a general meeting of the members of the society at such time and place as may be specified by him to determine such matters as may be directed by him ; and

(d) to take into his custody books of accounts, or documents of the society where he has reason to believe that there is a fraud or irregularity, in the course of such inquiry or inspection.

(3) The Registrar and every person authorised by him to hold an inquiry or inspection under this section shall be deemed to be public servants within the meaning of the Penal Code.”.

Repeal
of section
47 of the
principal
enactment.

21. Section 47 of the principal enactment is hereby repealed.

Replacement
of section
48 of the
principal
enactment.

22. Section 48 of the principal enactment is hereby repealed and the following new section is substituted therefor :—

“Dissolution
of the
committee
of a
society.

48. (1) If the Registrar is of opinion after an inquiry or inspection into the books of the registered society under section 46 that the committee of a registered society is not performing its duties in a proper manner, he may after giving the committee an opportunity to state its objections, if any, to its dissolution, report his findings to the general body summoned by him in accordance with the rules, if such inquiry or inspection under section 46 had been held on his own motion or, to the general meeting summoned in accordance with the by-laws, if such inquiry or inspection had been held

on the application of a majority of the committee or, of not less than one-third of the number of members, and the general body may—

- (a) remove the offending committee member or members and fill the resulting vacancies in accordance with the by-laws ;
- (b) dissolve the committee and elect a new committee or appoint a suitable person or body of persons to manage the affairs of the Society.

(2) The committee so elected or person or persons so appointed shall hold office for the remainder of the period of office of the dissolved committee.

(3) The person or persons appointed under paragraph (b) of subsection (1) may exercise all the powers, rights and privileges of a duly appointed committee of the society.

(4) Any person or persons appointed under paragraph (b) of subsection (1) shall be jointly and severally responsible for any loss sustained through any such acts committed by them as are contrary to the law, rules or by-laws of the society.

(5) The general body may fix the remuneration payable to any person, appointed under paragraph (b) of subsection (1) to manage the affairs of the society. The amount of such remuneration and other expenses, if any, incurred in the management of the society shall be payable from its funds.

(6) It shall be the duty of the person or persons appointed under this section to manage the affairs of a registered society dissolved under paragraph (b) of subsection (1) and holding office immediately prior to the date on which it ceases to hold office and to arrange for the election of a new committee in accordance with the by-laws of the society.

**Co-operative Societies (Amendment)
Act, No. 11 of 1992**

(7) Nothing in this section shall be deemed to affect the power of the Registrar to cancel the registration of the society under section 49."

Repeal
of section
48A of the
principal
enactment.

23. Section 48A of the principal enactment is hereby repealed.

Amendment
of section
49 of the
principal
enactment.

24. Section 49 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words and figures "an inspection or an investigation under section 47", of the words "an inspection."

Amendment
of section
53 of the
principal
enactment.

25. Section 53 of the principal enactment is hereby amended, by the insertion of the following paragraph immediately after paragraph (j) and shall have effect as paragraph (jj) :—

" (jj) deposit all moneys collected by the liquidator in such manner as directed by the Registrar ;"

Amendment
of section
54 of the
principal
enactment.

26. Section 54 of the principal enactment is hereby amended as follows:—

(1) by the renumbering of that section as subsection (1) thereof ; and

(2) by the addition immediately after the renumbered subsection (1) of the following new subsection:—

'(2) There shall be established a Fund called the "Co-operative Fund" to which shall be credited all the moneys collected by the liquidator, and such fund shall be operated by the Registrar in accordance with the rules'.

Amendment
of section
58 of the
principal
enactment.

27. Section 58 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for all the words from "A claim by a registered society for any debt, demand or damages due to it" to "touching the business of the society within the meaning of this subsection.", of the words "A claim by a registered society for any debt, demand or damages due to it from a member, officer or employee, whether past or present, or any nominee, heir or legal representative of a deceased member, officer or employee, or a claim for any debt, damage or demand due to a member from a registered society, from an officer or employee or member, past or present or to any nominee, heir or legal representative

of a deceased member, officer or employee, from a registered society, whether such debt, demand or damages is admitted or not, shall be deemed to be a dispute touching the business of a society within the meaning of this subsection.”.

28. Section 59 of the principal enactment is hereby amended in subsection (4) of that section by the substitution for the words “at the time of imposing such sentence.”, of the words and figures “at the time of imposing such sentence. Any defaulter sentenced to a term of imprisonment in default of the fine imposed in accordance with section 291 of the Code of Criminal Procedure Act, No. 15 of 1979, shall not be absolved from the payment of any sum of money mentioned in the certificate specified in section 59 (1) (c).”.

Amendment
of section
59 of the
principal
enactment.

29. The following new Chapter is hereby inserted immediately after Chapter XI of the principal enactment and shall have effect as Chapter XIA of the principal enactment :—

Insertion of
new Chapter
XIA in the
principal
enactment

“CHAPTER XIA

SPECIAL PROVISIONS APPLICABLE TO REGISTERED SOCIETIES OPERATING WITH STATE FUNDS

Special
conditions.

60A. (1) Where a registered society obtains a loan, advance or grant from the Government, every such loan, advance or grant shall be subject to the following conditions :—

- (a) that the approval, in writing of the Registrar, shall be obtained by the society prior to acquiring by way of purchase, lease, gift or otherwise any land, building or other movable or immovable property or alienating by way of sale, mortgage, lease, exchange or in any other manner, and land buildings, and other movable or immovable property for any purpose connected with its objects ;

(b) that the funds of the society shall be deposited or invested in any securities other than in a primary mortgage of immovable property in terms of section 20 of the Trust Ordinance or with any banker, or a person acting as a banker, approved for such purpose by the Registrar, or in the shares, or on the security of any other registered society, approved for the purpose by the Registrar, or in any other mode provided for, by the rules.

(2) If the Registrar is of opinion after an inquiry or inspection into the books of the registered society under section 46 that the committee of a registered society operating with State funds, is not performing its duties as required he may after giving such committee an opportunity to state its objections if any, to its dissolution report his findings to the general body summoned by him in accordance with the rules and such general body shall remove the committee within the time specified by the Registrar and if the general body fails or neglects to do so, the Registrar shall remove the committee and require the general body to appoint a Board of management. If the general body fails to appoint a Board of Management within fourteen days the Registrar may appoint a suitable person or persons to manage the affairs of such Society. The members of the committee so removed shall not be eligible to be elected to office of any registered society for a period of five years from the date of such removal. The Board of Management appointed under this section shall hold office for the same period and shall have the same powers and functions as a person appointed under paragraph (b) of subsection (1) of section 48.

Suspension
or interdiction and
removal of
officers, & c.

60B. (1) If the Registrar is of the opinion after an inquiry and inspection into the books of the registered society under section 46, that any officer or employee of any registered society is not performing his duties in a proper manner, or is unfit or otherwise unable to discharge his duties efficiently, he may notwithstanding anything to the contrary in this Law, the Co-operative Employees Commission Act, No. 12 of 1972 or any other Law after giving such officer or employee, an opportunity to state their objections, by order in writing suspend or interdict, as the case may be such officer or employee pending such inquiry as may be necessary and after such inquiry remove such officer or employee from office :

Provided that any employee aggrieved by an order of removal made under this subsection, may appeal therefrom to the Co-operative Employees' Commission established under Act, No. 12 of 1972 within a period of thirty days, and the decision of such Commission shall be final.

(2) Where any employee is removed under subsection (1) and where such order for removal has been affirmed by the Co-operative Employees' Commission or no appeal against such order has been preferred within thirty days, another employee may be appointed, in accordance with the provisions applicable in respect of such appointment.

Nomination
of
members.

60C. Where the Registrar is of opinion that it is necessary or expedient to do so for the purpose of ensuring efficient management of the affairs of a registered society operating with State funds or for the purpose of safeguarding any investments or advances in money or goods made to such society by the Government may notwithstanding anything to the contrary in this Law or any other law or in the by-laws of such society,

nominate such number of persons to be members of the committee of such registered society as are in his opinion necessary or expedient for such purpose :

Provided that the number of such nominated members, shall be less than one-half of the total number of members of such Committee.”.

**Amendment
of section 66
of the
principal
enactment.**

30. Section 66 of the principal enactment is hereby amended as follows :—

(1) in subsection (1) thereof, by the substitution for the words “inspection of books and investigation of affairs of a society under section 47,” of the words “or inspection of books of a registered society”; and

(2) in subsection (2) thereof, by the substitution for the words “by the Registrar on application to the Magistrate”, of the words “by the Magistrate,”.

**Replacement
of section
66A of the
principal
enactment.**

31. Section 66A of the principal enactment is hereby repealed and the following section substituted therefor :—

**“Declaration
of assets
and
liabilities.**

66A. (1) The Chairman and every member of the committee of a registered society shall make, to the Commissioner of Co-operative Development, in the prescribed form, an annual declaration of—

(a) all his assets and liabilities ;

(b) all the assets and liabilities of his spouse ; and

(c) all the assets and liabilities of each of his children,

as on the thirty-first day of March of the year in respect of which such declaration is made.

(2) The declaration referred to in subsection (1) shall be made by the Chairman or member of the committee of a registered

society, to the Commissioner of Co-operative Development, within three months of his election or appointment, as the case may be, as such Chairman or member, and unless he ceases to be such Chairman or member before the first day of July of every year succeeding the year in which he made his first declaration.”.

32. Section 67 of the principal enactment is hereby amended by the substitution for the words “or an inspection of books and investigation of the affairs of a registered society has been held under section 47,” of the words “or an inspection of books of,”.

Amendment
of section 67
of the
principal
enactment.

33. Section 72A of the principal enactment is hereby amended by the substitution for the words and figures “under sections 44, 46, 47, 49, 52”, of the words and figures “under sections 44, 46, 49, 52.”.

Amendment
of section
72 A of the
principal
enactment.

34. Section 75 of the principal enactment is hereby “amended as follows:—

Amendment
of section 75
of the
principal
enactment.

(1) in the definition of the expression “committee” by the substitution for the words and figures “under section 48;”, of the words and figures “under subsection (2) of section 60A;”;

(2) in the definition of the expression “primary society” by the substitution for the words “paragraph (b), (c) or (d) of section 3 (1);”, of the words “paragraph (b) of section 3;”; and

(3) by the addition immediately after the definition of the expression “rules” of the following new definition:—

“State funds” shall mean loans, advances and grants, granted by the Government and includes any loans, grant or advances out of the funds referred to in sections 48 and 57 of the Act’.

35. In the event of any inconsistency between the Sinhala and Tamil text of this Act, the Sinhala text shall prevail.

Sinhala
text to
prevail in
event of
inconsistency.